

AMENDED IN ASSEMBLY OCTOBER 7, 2010

SENATE BILL

No. 867

**Introduced by ~~Committee on Budget and Fiscal Review~~ Senator
Hollingsworth**
(Coauthor: Assembly Member Garrick)

January 11, 2010

An act ~~relating to the Budget Act of 2010~~ to add Section 20229 to the Government Code, relating to public employee benefits, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 867, as amended, ~~Committee on Budget and Fiscal Review~~ Hollingsworth. ~~Budget Act of 2010. Public employee benefits: contribution rates: reports.~~

The Public Employees' Retirement Law (PERL) provides a defined benefit to members of the Public Employees' Retirement System (PERS) based on age at retirement, service credit, and final compensation, as those terms are defined. The management and control of PERL is vested in the board of administration of PERL, including the calculation of the contribution rates for specified state employees and state employers.

Existing law provides that a statute that imposes a requirement that a state agency submit a periodic report to the Legislature is inoperative on a date 4 years after the date the first report is due.

This bill would require the board of administration of PERL, notwithstanding that requirement, to submit a report to the Legislature, the Governor, and the Treasurer describing the investment return assumptions, discount rates, and amortization periods utilized by the board in the calculations of the contribution rates and to include recalculations of those rates based on specified adjustments of the

investment return assumptions, amortization periods, and discount rates utilized by the board any time it calculates the contribution rates. This bill would require the Treasurer, within 30 days following receipt of the report, to provide each house of the Legislature, at a publicly noticed floor session, with an explanation of the role played by the investment return assumption and amortization period in the calculation of the contribution rates and the consequences for future state budgets if the investment return assumptions are not realized, to report whether the board's amortization period exceeds the estimated average remaining service periods of employees covered by the contributions, and to express his or her opinion of the reasonableness of the board's calculation of the contribution rates.

This bill would, notwithstanding the 4-year reporting limitations, also require the board, at any time it forecasts contribution rates, to submit a report to the Legislature with a revised calculation of the forecasted contribution rates utilizing a specified investment rate assumption.

This bill would declare that it is to take effect immediately as an urgency statute.

~~*This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2010.*~~

~~Vote: majority $\frac{2}{3}$. Appropriation: no. Fiscal committee: no.~~
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 20229 is added to the Government Code,
 2 to read:
 3 20229. (a) The board, notwithstanding Section 10231.5, any
 4 time it adopts the contribution rates described in Chapter 8
 5 (commencing with Section 20671) and Chapter 9 (commencing
 6 with Section 20790), shall provide the Legislature, the Governor,
 7 and the Treasurer with a report that includes all of the following:
 8 (1) (A) A description of the investment return assumption
 9 utilized by the board when determining the contribution rates.
 10 (B) A calculation of the contribution rates utilizing an investment
 11 return assumption based on the lesser of 6 percent per annum or
 12 one percentage point below the investment return assumption
 13 utilized by the board.

1 (2) (A) A description of the amortization period for any
2 unfunded liabilities utilized by the board when determining the
3 contribution rates.

4 (B) A calculation of the contribution rates based on an
5 amortization period equal to the estimated average remaining
6 service periods of employees covered by the contributions.

7 (3) (A) A description of the discount rate utilized by the board
8 for reporting liabilities.

9 (B) A calculation of those liabilities based upon a discount rate
10 equal to the rate of the 10-year United States Treasury Note as of
11 30 days before the date of the report.

12 (4) The market value of the assets controlled by the board and
13 an explanation of how the actuarial value assigned to those assets
14 differs from the market value of those assets.

15 (b) The board, notwithstanding Section 10231.5, at any time it
16 forecasts the contribution rates described in Chapter 8
17 (commencing with Section 20671) and Chapter 9 (commencing
18 with Section 20790), shall provide the Legislature with a revised
19 calculation of the forecasted contribution rates utilizing an
20 investment rate assumption based on the lesser of 6 percent or one
21 percentage point below the investment return assumption utilized
22 by the board in the calculation of the forecasted contribution rates.

23 (c) The Treasurer within 30 days of receipt of the report
24 required by subdivision (a) shall, during a publicly noticed floor
25 session of each house of the Legislature, do all of the following:

26 (1) Explain the role played by the investment return assumption
27 and amortization period in the calculation of the contribution
28 rates.

29 (2) Describe the consequences for future state budgets should
30 the investment return assumption not be realized.

31 (3) Report whether the board's amortization period exceeds the
32 estimated average remaining service periods of employees covered
33 by the contributions.

34 (4) Express his or her opinion of the reasonableness of the
35 board's selection of the investment return assumption and the
36 amortization period.

37 (d) The reports required by subdivisions (a) and (b) shall be
38 submitted in compliance with Section 9795.

39 SEC. 2. This act is an urgency statute necessary for the
40 immediate preservation of the public peace, health, or safety within

1 *the meaning of Article IV of the Constitution and shall go into*
2 *immediate effect. The facts constituting the necessity are:*
3 *In order to make necessary changes to implement the Budget*
4 *Act of 2010, it is necessary that this act take effect immediately.*
5 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~
6 ~~changes relating to the Budget Act of 2010.~~